

From Rags To Riches PART I

A Wonderful American Immigrant Success Story

By Stanley Turkel, MHS, ISHC

While some of us were sleeping, a remarkable revolution has taken place. In the past 25 years, members of the Asian American Hotel Owners Association (AAHOA) acquired more than 20,000 hotels with more than one million rooms. This represents more than 50 percent of the economy lodging properties in the U.S. and 40 percent of all hotel properties including many upscale hotels. If you bear in mind that Indian Americans constitute less than one percent of America's population, the achievement appears extraordinary. The market value of these hotels totals about \$40 billion. It is estimated that the hotels employ almost 800,000 people and annually pay some \$700 million in real estate taxes annually. Incidentally, there may be an additional 4,000 hotels owned by Indian Americans who are not AAHOA members.

How did this happen under our noses?

To find out, travel back in time to 2,000 years before the birth of Jesus. The Gujariti, descended from Aryan nomads, settled in what is now the Indian State of Gujarat on the Arabian Sea between Bombay and Pakistan. More than 40 million people live in Gujarat, India's most populous state.

The British sent thousands of Indians to their colonies in the 19th and 20th century to be laborers, traders and managers. Indians built the railways that linked Indian Ocean ports to East Africa. When the British lost their colonies, the Gujarati stayed on and flourished as tradesmen, shop keepers, civil servants, clerks, accountants and even bankers.

The political instability and racial tensions of post-colonial Africa had a dual effect: It made the Indians some of the shrewdest businesspeople in the world and it forced them out of Africa. For example, in 1972, General Idi Amin expelled 70,000 from Uganda, most of whom settled in Great Britain because they had British passports. The Gujarati faced racism from South Africa to Kenya. They migrated to the U.S. from all over the African subcontinent including Zimbabwe, Tanzania, Uganda, Zambia and Malawi.

“Patel” means farmer or landowner in Gujarat where the Patels are the original and largest clan. In order to facilitate tax collections the British delineated, reassigned and renamed some of them “Amin” (the farm managers) and others “Desai” (those who kept the books). It is said that the Patels have a commerce gene in their blood and the evidence seems to bear this out.

In the mid-1970’s, Patels from Africa and Asia began to emigrate to North America. Any immigrant willing to invest \$40,000 in a business could apply for permanent residence, the first step to citizenship. There were limited opportunities for such an investment. Restaurants required the Hindu Gujaratis to handle meat, an uncomfortable activity. Furthermore, a restaurant required one-on-one interaction with guests, confusing for newly-arrived immigrants. But distressed roadside motels could be acquired outright for \$40,000.

One Patel pioneer reported that a motel “... is easy to run. You don’t need fluent English, just the will to work long hours. And, it’s a business that comes with a house- you don’t have to buy a separate house....” In addition, in 1973, the motel industry was slumping badly because of the oil embargo and the resultant nationwide shortage of gasoline.

The new owners brought their business expertise and their families to operate these motels. They instituted modern accounting techniques to monitor the all-important cash flow. Four times cash flow became the mantra of the Patels. If the distressed motel produced \$10,000 per year in revenues and could be acquired for \$40,000, it was profitable to a hard-working family.

They then renovated and upgraded to improve cash flow, sold the properties and traded up to better motels. This was not without difficulties. Conventional insurance companies wouldn’t provide coverage because they believed these immigrant owners would burn down their motels. In those days, banks were unlikely to provide mortgages either. The Patels had to finance each other and self insure their properties.

In a July 4, 1999 *New York Times* article, reporter Tunku Varadarajan wrote, “The first owners, in a manner consistent with many an emergent immigrant group, scrimped, went without, darned old socks and never took a holiday. They did this not merely to save money but also because thrift is part of a larger moral framework, one that regards all nonessential expenditure as wasteful and unattractive. It’s an attitude buttressed by a puritanical aversion to frills and

frivolities, one that has its roots as much in the kind of Hinduism that the Patels practice as in their historical tradition as commercial perfectionists.”

They bought, renovated, operated and resold motels mostly along the interstate highways. Soon, the name “Patel” became synonymous with the hotel business. Patels own motels all over the U.S., including Canton (Texas, Mississippi, Michigan and Ohio), Burlington (Vermont, Iowa and North Carolina), Athens (Georgia, Tennessee and Alabama), Plainview (New York and Ohio) and Longview (Texas and Washington).

Reportedly, at least 50 percent of all new franchisees since 1992 are Indian-owned. Typically these motels are not fleabag properties but Econo Lodges, Days Inns, Holiday Inns, Comfort Inns, Quality Inns and Super 8s. These are economy/budget properties with no food, conference facilities, guest laundries or room service. In addition, AAHOA members own and franchise a growing number of full-service hotels like Marriott, Hilton and Sheraton.

Author Joel Millman writes *In The Other Americans*

“Patels took a sleepy, mature industry and turned it upside down—offering consumers more choices while making the properties themselves more profitable. Motels that attracted billions in immigrant savings turned into real estate equity worth many billions more. That equity, managed by a new generation, is being leveraged into new businesses. Some are related to lodging (manufacturing motel supplies); some related to real estate (reclaiming derelict housing); some simply cash seeking an opportunity. The Patel-motel model is an example, like New York’s West Indian jitneys, of the way immigrant initiative expands the pie. And there is another lesson: as the economy shifts from manufacturing to services, the Patel-motel phenomenon demonstrates how franchising can turn an outsider into a mainstream player. The Gujarati model for motels might be copied by Latinos in landscaping, West Indians in homecare or Asians in clerical services. By operating a turnkey franchise as a

family business, immigrants will help an endless stream of service providers grow.”

As investment and ownership expanded, the Patels were accused of a wide variety of crimes: arson, laundering stolen travel checks, circumventing immigration laws. In an unpleasant burst of xenophobia, *Frequent Flyer* magazine (Summer 1981) declared, “Foreign investment has come to the motel industry.....causing grave problems for American buyers and brokers. Those Americans in turn are grumbling about unfair, perhaps illegal business practices: there is even talk of conspiracy.”

The magazine complained that the Patels had artificially boosted motel prices to induce a buying frenzy. The article concluded with an unmistakable racist remark, “Comments are passed about motels smelling like curry and dark hints about immigrants who hire Caucasians to work the front desk.” The article concluded, “The facts are that immigrants are playing hardball in the motel industry and maybe not strictly by the rule book.”

The worst visible manifestation of such racism was a rash of “American Owned” banners displayed in certain hotels across the country. This hateful display was repeated in post- Sept 11 America.

In my article, “How American-Owned Can You Get”, (Lodging Hospitality, August 2002), I wrote,

“In post-Sept. 11 America, signs of patriotism are everywhere: flags, slogans, God Bless America and United We Stand posters. Unfortunately, this outpouring sometimes oversteps the boundaries of democracy and decent behavior. After all, true patriotism encompasses the best features of our founding documents, and the very best of America is reflected in its diversity. Conversely, the worst is reflected when any one group attempts to define “American” in their own image. Unfortunately, a few hotel owners have attempted to describe their own peculiar version of “American.” When at the end of 2002 the Hotel Pennsylvania in New York City installed an entrance banner saying “an American-

owned hotel,” the owners attempted to deflect criticism by explaining, “The issue of American owned is basically not disparaging toward other hotels. We want to provide our guests with an American experience. We want people to know they are going to get an American experience. We are not really interested in what the other hotels are or what they are not.”

This explanation is as wrongheaded as it gets. What is an “American experience” in a country that prides itself on its cultural diversity? Is it only white bread, hot dogs and cola? Or does it encompass all the arts, music, dance, food, culture and activities that all the various nationalities bring to the American experience?

“How much more American can you get?”

This is the first installment in a two-part article by regular contributor Stan Turkel describing a wonderful American immigrant success story. In the second part, Turkel will describe the birth and maturation of the Asian American Hotel Owners Association.

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